

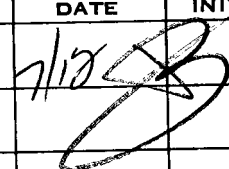
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Remarks: Attached is a draft alternative and abbreviated version of the proposed statement by the Director on H. R. 13705 (Cost-of-Living Adjustment for Retirees). If, as seems likely, any hearing will have to be brief, I think we should be prepared with a short version of our statement. If by chance hearings can be dispensed with entirely, maybe this statement could be passed around to the Committee members and part of the record. Would appreciate comments.

  
**John M. Maury**  
**Legislative Counsel**

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DRAFT STATEMENT BY RICHARD HELMS  
DIRECTOR OF CENTRAL INTELLIGENCE

I much appreciate your giving me a few moments of your time during these especially hectic days. I have asked for this opportunity only because I am seriously concerned about the matter I am raising with you, and I will be as brief as possible.

You may recall that on 26 October 1967 Mr. Philbin introduced H. R. 13705 to amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees (P. L. 88-643, 13 October 1967).

While H. R. 13705 contains a number of amendments which are important to the Central Intelligence Agency Retirement program, the need for enactment of one section - Section 8 - dealing with the cost-of-living formula for our annuitants has become critical. In weighing priorities at this busy time, we believe we should now focus our attention only on Section 8.

Section 8 of H. R. 13705 closes the gap between the CIA and other major Federal retirement systems on cost-of-living adjustment of annuities. This gap stems from the fact that the CIA retirement system is operating under an old formula and the other systems, such as the military

*Change suggested  
11 July 68*

and Civil Service, are operating under a new formula. The new formula reduces from one year to three months the period over which increases in the Consumer Price Index must be maintained before annuities are adjusted. It therefore permits increases to be applied to retirees on a more current basis.

On 1 May 1968 the gap between the percentage increases in effect under the Civil Service and the CIA systems had reached 12.2 percent for 1965 retirees, 9 percent for 1966 retirees, and 3.9 percent for 1967 and some 1968 retirees. If this gap continues much longer it will weaken the effectiveness of the CIA retirement system and seriously affect the morale of those covered by it.

Section 8 of H. R. 13705 will do three things: it will bring the cost-of-living provisions of the CIA Retirement Act into line with those of the other major Federal retirement systems; it will assure that future cost-of-living adjustments under the CIA retirement system are in phase with those granted under the Civil Service system; and it will provide, ~~as~~ of 1 January 1967, ~~a~~ catchup increase to make up the percentage gap between the CIA and Civil Service systems.

Thank you for hearing me, Mr. Chairman. My colleagues and I, and especially some of our former colleagues, now retired, who have served the country and the Agency well, appreciate your interest. I'll be happy to try to answer any questions.